



CDIAC TO RELEASE A HANDBOOK FOR UNDERSTANDING LOCAL AGENCY INVESTMENT REPORTING

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The California Debt and Investment Advisory Commission (CDIAC) is preparing to release a handbook in March 2003 to assist elected officials to meet their fiduciary obligations regarding investment reports and investment policies issued by their agencies. The handbook, entitled "*Understanding Public Investment Reporting: A Handbook for Local Elected Officials*," is also expected to serve the interests of treasurers and chief fiscal officers of local agencies who seek to engage their governing bodies in setting policies or making investment decisions that reflect the risk and return objectives of their organizations.

California Government Code Sections 27000.3 and 53600.3 assign fiduciary responsibilities to the governing bodies of all local agencies or persons authorized to make investment decisions on behalf of local agencies. As such, these individuals are subject to the "prudent investor standard." The members of the governing body of a local agency, as result, are expected to apply the same care and skill to making an investment decision as would a prudent person acting under similar conditions.

Development of the handbook was initiated as a response to the disparity that exists in the real world between the fiduciary assignments made by statutes and the fact that many elected officials lack the time to become experts in public funds investing. In many cases, the role of the fiduciary in the investment activities of the local agencies is limited to the review of investment reports and policies.

California Government Code Section 53646 requires treasurers and chief fiscal officers of local agencies to submit a quarterly investment report to their chief executive officer, their internal auditor, and their legislative body within 30 days of the end of the quarter covered by the report. In addition to quarterly reports, Section 53646 requires local

agencies to produce an annual investment policy that serves, in many cases, as a statement of investment strategy. The guidebook provides a framework, including suggested questions and standards of practice, that will help elected officials wade through the structure and terminology of investment reports and policies in an effort to meet their fiduciary obligation to protect the safety and liquidity of the portfolio.

Modeled upon other publications, such as those issued by the Government Finance Officers Association, the guidebook uses a "quick reference" format to increase accessibility and readability. Its contents include the following chapters and appendices:

Chapters

- Chapter 1 Who is Responsible for Investing Public Funds?
- Chapter 2 What are the Objectives of Public Fund Investing?
- Chapter 3 What Public Funds May be Invested?
- Chapter 4 How May Public Funds Be Invested?
- Chapter 5 What Do Investment Reports Contain?
- Chapter 6 Evaluating the Performance of Your Investments

Appendices

- Checklist for Evaluating Your Agency's Investment Reporting Activities
- Selected Resources and Reference Materials
- Summary of Relevant Codes
- Glossary of Selected Terms
- Glossary of Investment Instruments

The guidebook should be available by March 2003. For more information on the guidebook, please contact Mark Campbell at (916) 653-5167 or by e-mail at mcampbell@treasurer.ca.gov.

This Offprint was previously published in DEBT LINE, a monthly publication of the California Debt and Investment Advisory Commission (CDIAC). CDIAC was created in 1981 to provide information, education, and technical assistance on public debt and investment to state and local public officials and public finance officers. DEBT LINE serves as a vehicle to reach CDIAC's constituents, providing news and information pertaining to the California municipal finance market. In addition to topical articles, DEBT LINE contains a listing of the proposed and final sales of public debt provided to CDIAC pursuant to Section 8855(g) of the California Government Code. Questions concerning the Commission should be directed to CDIAC at (916) 653-3269 or, by e-mail, at cdiac@treasurer.ca.gov. For a full listing of CDIAC publications, please visit our website at <http://www.treasurer.ca.gov/cdiac>.

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